

CARLTON TOWNSHIP
FINANCIAL STATEMENTS
For the year ended June 30, 2008

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INDEPENDENT AUDITORS' REPORT

To the Township Board
Carlton Township
Barry County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Carlton Township, Michigan, as of and for the year ended June 30, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Carlton Township, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Carlton Township, Michigan, as of June 30, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Carlton Township's basic financial statements. The accompanying additional supplementary information listed in the table of contents is presented for purposes of additional analysis and are not a required part of the basic financial statements of Carlton Township, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
November 14, 2008

Walker, Fluke & Sheldon, PLC

Carlton Township Management Discussion and Analysis

As the Township Board of Carlton Township, we offer readers of the township's financial statements this narrative overview and analysis of the financial activities of Carlton Township for the fiscal year ended June 30, 2008. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Township. We encourage readers to consider this information in conjunction with the letter or transmittal, which begins on page 1, and the financial statements, which begin on page 7.

Financial Highlights

- The assets of Carlton Township exceeded its liabilities at the close of the most recent fiscal year by \$896,518 (net assets) compared to \$790,498 last year. Of this amount, \$413,963 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$106,020 compared to an increase of \$41,499 last year.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$692,499, an increase of \$104,466 compared to an ending fund balance of \$588,033, an increase of \$38,807 from the prior year.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$460,510, or 128% of total general fund expenditures. In 2007, the unreserved fund balance for the general fund was \$515,989, or 216% of the total general fund expenditures. This demonstrates the Township's fiscal discipline and places the Township in a strong financial position to meet unexpected emergencies, uncertainties at the State level or the general slowdown of the economy.

Overview of the Financial Statements

Carlton Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., state shared revenue).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include general government, public safety, highways and streets, recreation and cultural and health and welfare.

The government-wide financial statements can be found on pages 7-8 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Carlton Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: government funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Carlton Township maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Fire and the Middle-Leach Lake Sewer Funds, which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 9-12 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the Township's own programs.

The basic fiduciary fund financial statements can be found on pages 13-14 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found on pages 15-22 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. The Township adopts an annual budget for its general fund, fire fund and Middle-Leach Lake sewer fund. Within the required supplementary information, a budget comparison statement has been provided for these funds to demonstrate compliance with the budget.

Required supplementary information can be found on pages 23-26 of this report.

Individual fund statements and schedules are presented immediately following the required supplementary information on budgets on pages 27-31.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Carlton Township, assets exceeded liabilities by \$896,518 at the close of the most recent fiscal year compared to \$790,498 last year.

By far the most significant portion of the Township's net assets (46.2 percent) reflects its unrestricted net assets (\$413,963), which may be used to meet the government's ongoing obligations to citizens and

creditors. An additional portion of the Township's net assets (44.7 percent) reflects restricted net assets (\$400,509), which are resources that are subject to external restrictions on how they may be used. The remaining portion (\$82,046) of the Township's net assets (9.1 percent) reflects its investment in capital assets (e.g. land, buildings, equipment and furniture and fixtures). The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

Carlton Township's Condensed Financial Data

	Governmental Activities 06/30/2008	Governmental Activities 06/30/2007
Current and Other Assets	\$ 1,376,274	\$ 767,885
Capital Assets	82,046	80,879
Total Assets	<u>1,458,320</u>	<u>848,764</u>
Other Liabilities	165,042	58,266
Deferred Revenue	396,760	-
Long-Term Liabilities	-	-
Total Liabilities	<u>561,802</u>	<u>58,266</u>
Net Assets:		
Invested in Capital Assets, Net of related debt	82,046	80,879
Restricted for Fire	131,407	85,408
Restricted for Weed Control	18,630	18,010
Restricted for Middle-Leach Lake Sewer	128,499	-
Restricted for Investment in Joint Venture	121,973	121,586
Unrestricted	413,963	484,615
Total Net Assets	<u>\$ 896,518</u>	<u>\$ 790,498</u>
Program Revenues		
Charges for Services	\$ 26,351	\$ 25,570
Operating Grants	355,888	-
General Revenues		
Taxes and Penalties	183,395	171,556
State Grants	163,351	158,951
Interest and Rentals	23,948	28,336
Other	6,160	4,133
Gain on Trade-In of Capital Assets	16	299
Gain on Equity Interest in Joint Venture	387	3,236
Total Revenues	<u>759,496</u>	<u>392,081</u>
Program Expenses		
Legislative	5,322	6,187
General Government	117,127	115,145
Public Safety	106,853	86,963
Public Works	417,439	136,130
Recreational and Cultural	-	1,800
Health and Welfare	2,000	-
Other	4,735	4,357
Total Expenses	<u>653,476</u>	<u>350,582</u>
Change in Net Assets	<u>\$ 106,020</u>	<u>\$ 41,499</u>

At the end of the current fiscal year, the Township is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental activities.

Governmental activities. Governmental activities increased the Township's net assets by \$106,020 mainly due to state grants for special assessments and special assessment collections.

Expenses were up compared with prior year. Public safety increased due to new fire formula. Public works increased due to additional road projects and planning and engineering work done on the potential Middle-Leach Lake sewer project, otherwise the remaining expenses were consistent with the prior year due to controlled spending.

Financial Analysis of the Township's Funds

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$692,499, an increase of \$104,466 in comparison with the prior year. Last year, the Township's governmental funds combined ending fund balance was \$588,033, which was an increase of \$38,807 from the prior year.

The general fund is the chief operating fund of the Township. At the end of the current fiscal year, unreserved fund balance of the general fund was \$460,510. Unreserved fund balance represents 128% of the total general fund expenditures. In the prior year, the unreserved fund balance was \$515,989, which represented 216% of the total general fund expenditures.

The fund balance of the Township's general fund decreased by \$54,859 during the current fiscal year, compared to an increase of \$57,579 in the prior year. This is mainly due to increased costs for fire protection and road maintenance.

General Fund Budgetary Highlights

There were only minor differences between the original budget and the final amended general fund budget (\$12,851 increase in appropriations). The majority of the difference can be summarized with the following increases:

- \$12,172 increase to general government
- \$1,520 increase to public works

The majority of budget amendments were due to public works and general government. This was due to the fact the Township had a new special assessment and general inflationary increases for services.

Revenues were less than budgetary estimates during the current year, while expenditures exceeded budgetary estimates during the current year.

Capital Assets

The Township's investment in capital assets for its governmental activities as of June 30, 2008, amounts to \$82,046 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, improvements, equipment and furniture and fixtures.

Major capital asset events during the current fiscal year included a new copier, three computers and a new cemetery lawnmower. Details of the Township's capital assets are continued in the notes to financial statements on page 21.

Economic Factors and Next Year's Budgets and Rates

Budget assumptions: Even though the unemployment rate continues to be high in the State of Michigan, state shared revenues are expected to follow the same trend as last year. The Township is expecting roughly the same amount in the 2008-2009 fiscal year. The Township's millage rate will remain consistent with the current year. The taxable value will increase, thus bringing in more tax revenue. The Township's road projects will be less than the current year. The Township has approved a special assessment district for the residents of Middle and Leach Lakes for planning and engineering costs. This is a \$650,000 assessment, which will be collected over a three-year period and started during the current fiscal year. Upon resident approval the construction special assessment for the Middle and Leach Lake sewer will take place at a later date. These factors were considered in preparing the Township's budget for the 2008-2009 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Carlton Township's finances for all those with an interest in the township's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the (Supervisor/Treasurer/Clerk), Carlton Township, 85 Welcome Rd, Hastings, MI 49058. 269-945-5990

CARLTON TOWNSHIP
GOVERNMENT WIDE STATEMENT OF NET ASSETS
June 30, 2008

	<u>Primary Government</u>	
	<u>Governmental</u>	
<u>ASSETS</u>	<u>Activities</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 217,737	\$ 217,737
Investments	300,074	300,074
Receivables (Net)		
Special Assessments	399,490	399,490
Other	116	116
Due From State	39,241	39,241
Due From Other Funds	19,107	19,107
Restricted Assets	400,509	400,509
Capital Assets (Net of Accumulated Depreciation)	<u>82,046</u>	<u>82,046</u>
Total Assets	<u>1,458,320</u>	<u>1,458,320</u>
<u>LIABILITIES</u>		
Liabilities		
Accounts Payable	158,340	158,340
Accrued Liabilities	5,164	5,164
Due From Other Funds	1,538	1,538
Deferred Revenue	<u>396,760</u>	<u>396,760</u>
Total Liabilities	<u>561,802</u>	<u>561,802</u>
<u>NET ASSETS</u>		
Net Assets		
Invested in Capital Assets, Net of Related Debt	82,046	82,046
Restricted for Fire	131,407	131,407
Restricted for Weed Control	18,630	18,630
Restricted for Middle-Leach Lake Sewer	128,499	128,499
Restricted for Investment in Joint Venture	121,973	121,973
Unrestricted	<u>413,963</u>	<u>413,963</u>
Total Net Assets	<u>\$ 896,518</u>	<u>\$ 896,518</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENT WIDE STATEMENT OF ACTIVITIES
June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Total
Primary Government					
Governmental Activities					
Legislative	\$ 5,322	\$ -	\$ -	\$ (5,322)	\$ (5,322)
General Government	117,127	2,834	-	(114,293)	(114,293)
Public Safety	106,853	-	-	(106,853)	(106,853)
Public Works	417,439	23,517	355,888	(38,034)	(38,034)
Health and Welfare	2,000	-	-	(2,000)	(2,000)
Other	4,735	-	-	(4,735)	(4,735)
Total Governmental Activities	<u>653,476</u>	<u>26,351</u>	<u>355,888</u>	<u>(271,237)</u>	<u>(271,237)</u>
Total Primary Government	<u>\$ 653,476</u>	<u>\$ 26,351</u>	<u>\$ 355,888</u>	<u>(271,237)</u>	<u>(271,237)</u>
General Revenues					
Taxes and Penalties				183,395	183,395
State Grants				163,351	163,351
Interest and Rentals				23,948	23,948
Other Revenue				<u>6,160</u>	<u>6,160</u>
Total General Revenues				<u>376,854</u>	<u>376,854</u>
Gain on Trade-In of Capital Asset				16	16
Gain on Equity Interest in Joint Venture				<u>387</u>	<u>387</u>
Change in Net Assets				106,020	106,020
Net Assets-Beginning				<u>790,498</u>	<u>790,498</u>
Net Assets-Ending				<u>\$ 896,518</u>	<u>\$ 896,518</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENTAL FUND BALANCE SHEET
June 30, 2008

		Fire	Middle-	Total
	General	Fund	Leach Lake	Governmental
ASSETS			Sewer Fund	Funds
Cash and Cash Equivalents	\$ 236,367	\$ 51,808	\$ 128,499	\$ 416,674
Investments	300,074	79,599	-	379,673
Receivables (Net)				
Special Assessments	-	-	399,490	399,490
Other	116	-	-	116
Due From State	27,391	-	11,850	39,241
Due From Other Funds	17,569	-	1,538	19,107
Total Assets	\$ 581,517	\$ 131,407	\$ 541,377	\$ 1,254,301
LIABILITIES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 95,675	\$ 48,425	\$ 14,240	\$ 158,340
Accrued Liabilities	5,164	-	-	5,164
Due to Other Funds	1,538	-	-	1,538
Deferred Revenue	-	-	396,760	396,760
Total Liabilities	102,377	48,425	411,000	561,802
Fund Balances				
Unreserved-Undesignated	460,510	82,982	130,377	673,869
Reserved-Weed	18,630	-	-	18,630
Designated	-	-	-	-
Total Fund Balances	479,140	82,982	130,377	692,499
Total Liabilities and Fund Balance	\$ 581,517	\$ 131,407	\$ 541,377	\$ 1,254,301

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2008

Fund Balances-Total Governmental Funds		\$ 692,499
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds		
Governmental capital assets	\$ 153,386	
Less: Accumulated Depreciation	<u>71,340</u>	82,046
The Township has an equity interest in a joint venture. This investment is not a current financial resource and therefore is not reported in the governmental funds		
		<u>121,973</u>
Net Assets of Governmental Activities		<u>\$ 896,518</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
GOVERNMENTAL FUND STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
For the Year Ended June 30, 2008

	<u>General</u>	<u>Fire Fund</u>	<u>Middle- Leach Lake Sewer Fund</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes and Penalties	\$ 83,059	\$ 100,522	\$ -	\$ 183,581
State Grants	163,351	-	154,778	318,129
Charges for Services	2,834	-	-	2,834
Interest and Rents	18,833	3,830	1,285	23,948
Other Revenue	29,416	75	201,110	230,601
Total Revenues	<u>297,493</u>	<u>104,427</u>	<u>357,173</u>	<u>759,093</u>
Expenditures				
Current				
Legislative	5,322	-	-	5,322
General Government	112,219	-	-	112,219
Public Safety	-	106,853	-	106,853
Public Works	222,017	-	195,422	417,439
Health and Welfare	2,000	-	-	2,000
Other	4,735	-	-	4,735
Capital Outlay	13,239	-	-	13,239
Total Expenditures	<u>359,532</u>	<u>106,853</u>	<u>195,422</u>	<u>661,807</u>
Excess of Revenues Over (Under) Expenditures	<u>(62,039)</u>	<u>(2,426)</u>	<u>161,751</u>	<u>97,286</u>
Other Financing Sources (Uses)				
Proceeds from Trade-In of Fixed Assets	7,180	-	-	7,180
Total Other Financing Sources (Uses)	<u>7,180</u>	<u>-</u>	<u>-</u>	<u>7,180</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(54,859)</u>	<u>(2,426)</u>	<u>161,751</u>	<u>104,466</u>
Fund Balance-July 1, 2007	<u>533,999</u>	<u>85,408</u>	<u>(31,374)</u>	<u>588,033</u>
Fund Balance-June 30, 2008	<u>\$ 479,140</u>	<u>\$ 82,982</u>	<u>\$ 130,377</u>	<u>\$ 692,499</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds **\$ 104,466**

Governmental funds do not report gains or losses on equity interests in a joint venture.

Equity interest in joint venture increased by this amount this year 387

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives:

Expenditures for capital assets	\$ 13,239	
Less: Current year depreciation	4,908	
Less: Proceeds from Trade-In of Capital Asset	7,180	
Plus: Gain from Trade-In of Capital Asset	<u>16</u>	<u>1,167</u>

Change in Net Assets of Governmental Activities \$ 106,020

CARLTON TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF NET ASSETS
June 30, 2008

ASSETS	Pension Trust	Current Tax Collection	Trust and Agency
Cash and Cash Equivalents	\$ -	\$ 17,793	\$ -
Investments-at Fair Value:			
Other Investments	<u>135,414</u>	<u>-</u>	<u>-</u>
Total Assets	<u>135,414</u>	<u>17,793</u>	<u>\$ -</u>
LIABILITIES			
Liabilities			
Due to Other Funds	-	17,569	-
Due to Other Units of Government	<u>-</u>	<u>224</u>	<u>-</u>
Total Liabilities	<u>-</u>	<u>17,793</u>	<u>-</u>
NET ASSETS			
Held in Trust for Pension Benefits	<u>\$ 135,414</u>	<u>\$ -</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
FIDUCIARY FUNDS - STATEMENT OF CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

	<u>Pension Trust</u>
Additions	
Contributions	
Employer	<u>\$ 12,335</u>
Total Contributions	12,335
Investment Income (Loss)	<u>(10,038)</u>
Total Additions	<u>2,297</u>
Deductions	
Administrative Expenses	2,518
Withdrawals	<u>59,114</u>
Total Deductions	<u>61,632</u>
Change in Net Assets	(59,335)
Net Assets-Beginning	<u>194,749</u>
Net Assets-Ending	<u>\$ 135,414</u>

The Notes to Financial Statements are an integral part of this statement.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Carlton Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Carlton Township:

REPORTING ENTITY

Carlton Township is situated in Barry County north of the City of Hastings. The Township operates under an elected board of five members and provides services to residents in many areas including fire protection, library and general government services. Education services are provided to citizens through several local school districts, which are separate governmental entities. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Township, there are no component units to be included in these financial statements.

JOINT VENTURES

Fire Department

The Township, together with the Townships of Baltimore, Irving, Rutland and Hastings has established a joint fire department under the provisions of Public Act 33 of 1951 and Public Act 7 of 1967. The department is known as the BIRCH FIRE DEPARTMENT. The organizational agreement provides that financing of the Department's activities will be as follows:

"Each Township shall pay an amount of money equal to an agreed millage rate which shall be the same for all Townships, determined as if said millage rate was spread upon the tax roll in each Township or area of each Township served by the department. The amount of the millage shall be determined annually by the Board of Directors of BIRCH and shall be approved by each Township Board as part of the budget of BIRCH each year.

Once the millage has been determined and approved as provided above, the amount of money representing the millage in each Township can be raised by any means available to each township and does not have to be spread upon the tax roll as a 'special assessment'." Carlton Township levies an additional millage for fire protection.

The Township Board of each member Township appoints one elected official to the BIRCH Board of Directors. The BIRCH Board of Directors appoints one member at large from each member Township. The member at large must be a resident and property owner in the district served.

The equity ownership of each Township which is a part of BIRCH in each major piece of fire apparatus or equipment or any personal property having a value of more than \$1,000 is determined using the percentage contribution of each Township as compared with the total contribution of all Townships during the year in which said asset was purchased. Equipment, apparatus and personal property, which is owned by BIRCH but was bought for a sum less than \$1,000, shall give each Township an equity interest in said property equal to the then current percentage of contribution of each Township as compared with the total contributions of all Townships for the current year.

Carlton Township's share of the cost of fire protection remitted to BIRCH for the year ended June 30, 2008 was \$58,429.

**CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fire Department (Continued)

The following information summarizes the activity of the joint venture through June 30, 2007, the most recent complete financial statements available.

Total Assets	\$ 471,521	Total Revenues	\$ 367,614
Total Liabilities	\$ -	Total Expenditures	\$ 395,525
Total Net Assets	\$ 471,521	Increase (Decrease) in Net Assets	\$ (27,911)
Total Capital Assets Net of Accumulated Depreciation	\$ 294,068		
Total Joint Venture Outstanding Debt	\$ -		

Complete financial statements for BIRCH Fire Department can be obtained as from:

Shirley Drake, Treasurer
9938 S. M-37 Hwy
Dowling, MI 49050

Carlton Township's total equity share in BIRCH Rural Fire Department is \$121,973 of which \$86,482 represents their equity interest in the fixed assets.

BIRCH Fire Department covers approximately 50% of Carlton Township. The Township contracts with the Woodland Fire Department and the Freeport Rural Fire Department on an annual basis for fire coverage on the remainder of Carlton Township.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues, and are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual; therefore, they have been recognized as revenue in the current fiscal period. All other revenues are considered to be measurable only when the Township receives cash.

Taxes Receivable - The Township property tax is levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county delinquent tax rolls.

Although the Township ad valorem tax is levied and collectible on February 1st, it is the Township's policy to recognize revenue from the current tax levy in the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2007 State taxable valuation of the Township totaled \$68,652,215 on which ad valorem taxes levied consisted of .9046 mills for Township operating purposes and 1.4644 mills for fire protection, raising \$62,103 for operating and \$100,522 for fire protection. Current and delinquent property taxes collected prior to June 30 are recognized in the General Fund and Special Revenue Fund financial statements respectively.

The Township reports the following major governmental funds:

- The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Fire Fund is the Township's fund for fire protection. It accounts for the resources of fire millage revenues that are restricted for use on fire protection.
- The Middle-Leach Lake Sewer Fund accounts for the Township's planning and engineering for a future sewer for Middle Lake and Leach Lake. Revenues are primarily derived from special assessments levied on the residents of the lakes.

Additionally, the government reports the following fund types:

- The Pension Trust Fund accounts for the activities of the board's retirement system, which accumulates resources for pension benefit payments to qualified employees.
- The Trust and Agency Fund accounts for the assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds."

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (Continued)

Receivables and Payables (Continued) - All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st based on the taxable valuation of property located in the Township as of the preceding December 31st. These taxes are due on February 28th. After that date, they are added to the county 's delinquent tax rolls.

The delinquent real property taxes of the Township are purchased by Barry County.

Restricted Assets - The Township has restricted assets for fire and special assessment resources for planning and engineering and weed control. By restricting a portion of the fund balance for a specific purpose, the Township has limited the use of the funds for that specific purpose only. The Township Board cannot change the amounts restricted and cannot spend the restricted funds for any other purpose than fire and special assessments.

Capital Assets - The Township defines Capital assets as assets with an initial cost of more than \$500 for furniture, and all other equipment and \$1,000 for buildings and all other improvements and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight- line basis over the following useful lives:

Buildings	40 years
Land Improvements	20 years
Furniture	10 years
Equipment	7 years
Data Processing Equipment	3 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. A special assessment for weed control accounted for in the general fund is reported as reserved. Designations of fund balance represent tentative management plans that are subject to change. Carlton Township does not have any designations of fund balance.

STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. This basis is consistent with accounting principles generally accepted in the United States of America. An annual appropriated budget was adopted for the general, fire and Middle-Leach Lake sewer funds. The Township Boards prepares the annual budgets prior to June 30. A Public Hearing is conducted to obtain taxpayers' comments. The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the department level.

**CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008**

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2008, the Township incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

FUND	TOTAL APPROPRIATIONS	AMOUNT OF EXPENDITURES	BUDGET VARIANCE
General			
General Government:			
Assessor	\$ 14,827	\$ 14,867	\$ 40
Public Works:			
Drains	\$ -	\$ 1,476	\$ 1,476
Highways	\$ 124,682	\$ 202,502	\$ 77,820
Fire Fund			
Public Safety:			
Fire	\$ 95,331	\$ 106,853	\$ 11,522
Middle-Leach Lake Sewer Fund			
Public Works:			
Special Assessment	\$ -	\$ 195,422	\$ 195,422

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of moneys are recorded in order to reserve that portion of the applicable appropriation, is not employed by Carlton Township.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Township has designated three banks and two savings banks for the deposit of Carlton Township funds. The Township retirement system's investments are held in trust by the investment fiduciary, John Hancock Life Insurance Company. Michigan Compiled Laws, Section 38.1132, authorizes the Township retirement system to invest in a wide variety of investments including stocks, bonds, certificates of deposit, real estate, annuity contracts, obligations of a specified nature, and real or personal property. Specific limitations apply to the various investment types depending on the size of the system.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

DEPOSITS-CASH AND INVESTMENTS (Continued)

The Township's deposits and investments are in accordance with statutory authority.

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>FIDUCIARY FUNDS</u>	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents	\$ 217,737	\$ 17,793	\$ 235,530
Investments	300,074	135,414	435,488
Restricted Assets	<u>278,536</u>	<u>-</u>	<u>278,536</u>
Total	<u>\$ 796,347</u>	<u>\$ 153,207</u>	<u>\$ 949,554</u>

The breakdown between deposits and investments is:

	<u>TOTAL PRIMARY GOVERNMENT</u>
Cash and Cash Equivalents (Checking and Savings Accounts, Certificates of Deposit)	\$ 813,840
Investment in Securities (Mutual Funds and Similar Vehicles)	135,414
Petty Cash and Cash on Hand	<u>300</u>
Total	<u>\$ 949,554</u>

Custodial credit risk is the risk that the Township will not be able to recover its deposits in the event of financial institution failure. The Township's deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At June 30, 2008, the Township had deposits with a carrying amount of \$813,840 and a bank balance of \$793,104. Of the bank balance, \$419,265 is covered by federal depository insurance, \$373,840 is uninsured and \$0 is collateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of the FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

INTERFUND RECEIVABLES AND PAYABLES

The amounts of the interfund receivables and payables are as follows:

<u>FUND</u>	<u>INTERFUND RECEIVABLES</u>	<u>FUND</u>	<u>INTERFUND PAYABLES</u>
General	\$ 17,569	General	\$ 1,538
Middle-Leach Lake Sewer	<u>1,538</u>	Tax	<u>17,569</u>
	<u>\$ 19,107</u>		<u>\$ 19,107</u>

The tax fund interfund receivable and payable represent tax money collected, not yet remitted to the Township General Fund. The Middle-Leach Lake sewer interfund receivable and payable represent expenditures the General Fund paid for on behalf of the Middle-Leach Lake sewer while this fund was being created.

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 10,680	\$ -	\$ -	\$ 10,680
Subtotal	<u>10,680</u>	<u>-</u>	<u>-</u>	<u>10,680</u>
Capital Assets Being Depreciated				
Buildings	91,594	-	-	91,594
Land Improvements	12,105	-	-	12,105
Furniture	2,400	-	-	2,400
Equipment	28,392	11,180	10,618	28,954
Data Processing Equipment	<u>5,594</u>	<u>2,059</u>	<u>-</u>	<u>7,653</u>
Subtotal	140,085	13,239	10,618	142,706
Less Accumulated Depreciation for				
Buildings	48,168	1,371	-	49,539
Land Improvements	3,442	514	-	3,956
Furniture	2,160	-	-	2,160
Equipment	11,158	2,787	3,454	10,491
Data Processing Equipment	<u>4,958</u>	<u>236</u>	<u>-</u>	<u>5,194</u>
Subtotal	<u>69,886</u>	<u>4,908</u>	<u>3,454</u>	<u>71,340</u>
Net Capital Assets Being Depreciated	<u>70,199</u>	<u>8,331</u>	<u>7,164</u>	<u>71,366</u>
Governmental Activities Capital Total Capital Assets-Net of Depreciation	<u>\$ 80,879</u>	<u>\$ 8,331</u>	<u>\$ 7,164</u>	<u>\$ 82,046</u>

Depreciation expense was charged to programs as follows:

Governmental Activities	
General Government	<u>\$ 4,908</u>
Total Government Activities	<u>\$ 4,908</u>

CARLTON TOWNSHIP
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2008

EMPLOYEE'S RETIREMENT SYSTEM - DEFINED CONTRIBUTION PLAN

The Township contributes to a defined contribution pension plan for its eligible employees. John Hancock Life Insurance Company holds the participants' accounts in individual "guaranteed accounts".

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeiture of other participants' benefits that may be allocated to such participant's account. The pension plan is available to all elected officials of the Township and the Cemetery Sexton. Contributions by the Township vest immediately. The Township contributes 25% to the pension plan for the employees based on actual compensation. Voluntary employee contributions are not allowed.

During the year, the Township's required and actual contributions amounted to \$12,335, which was 22.54% of its current-year covered payroll of \$54,723. The total fiscal year payroll was \$63,097. No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries. The Township manages its risk exposure through a combination of risk management pools and commercial insurance. The Township has insurance provided by an independent insurance company for worker's compensation. Following is a summary of the risk management pool participation.

The Township participates in the Michigan Township Participating Plan (Par Plan) for property, general liability, and employee bond coverage. The Michigan Township Participating Plan was established in April 1985, pursuant to laws of the State of Michigan, which authorizes local units of government to jointly exercise any power, privilege or authority which each might exercise separately. The purpose of the plan is to jointly exercise powers common to each participating member to establish and administer a risk management program; to prevent or lessen the incidence and severity of casualty losses occurring in the operation of its members; and to defend and protect any member of the authority against liability or loss.

The Michigan Township Participating Plan, while it operates under the Michigan Legislation of Public Act 138, does not operate as a risk pool due to a total transfer of risk to reinsurance companies backing the Par Plan. Due to this reinsurance purchase, there is no pooling of risk between members. The plan has protected itself in the event a reinsurance becomes uncollectible by purchasing a reinsurance treaty for uncollectible reinsurance.

The Par Plan chose to adopt the forms and endorsements of conventional insurance protection and to reinsure these coverages 100%, rather than utilize a risk pool of member funds to pay individual and collective losses up to a given retention, and then have reinsurance above that retention amount.

The individual members are responsible for their self-retention amounts (deductibles), which vary from member to member.

At June 30, 2008, there were no claims that exceeded insurance coverage. The Township had no significant reduction in insurance coverage from previous years.

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 533,999	\$ 533,999	\$ 533,999	\$ -
Resources (Inflows)				
Taxes and Penalties	80,186	80,186	83,059	2,873
Licenses and Permits	500	500	-	(500)
State Grants	180,000	180,000	163,351	(16,649)
Charges for Services	1,000	1,000	2,834	1,834
Contributions from Local Units	-	39,843	-	(39,843)
Interest and Rents	5,000	5,000	18,833	13,833
Other Revenue	<u>32,920</u>	<u>32,920</u>	<u>29,416</u>	<u>(3,504)</u>
Total Resources	<u>299,606</u>	<u>339,449</u>	<u>297,493</u>	<u>(41,956)</u>
Charges to Appropriations (Outflows)				
Legislative	7,393	6,552	5,322	1,230
General Government				
Supervisor	13,880	14,080	13,220	860
Elections	5,200	5,200	3,436	1,764
Assessor	14,392	14,827	14,867	(40)
Clerk	22,901	25,275	21,972	3,303
Board of Review	1,100	1,100	890	210
Treasurer	24,263	24,523	24,301	222
Township Hall	4,580	5,500	5,426	74
Cemetery	13,104	13,943	13,157	786
Administration	21,275	23,516	14,950	8,566
Public Works				
Drains	-	-	1,476	(1,476)
Highways	124,682	124,682	202,502	(77,820)
Special Assessment	23,000	24,520	18,039	6,481
Recreational and Cultural				
YMCA	1,700	1,700	-	1,700
Health and Welfare				
Green Gables	2,000	2,000	2,000	-
Other	5,000	5,000	4,735	265
Capital Outlay	<u>8,300</u>	<u>13,203</u>	<u>13,239</u>	<u>(36)</u>
Total Charges to Appropriations	<u>292,770</u>	<u>305,621</u>	<u>359,532</u>	<u>(53,911)</u>
Excess of Resources Over (Under) Appropriations	<u>6,836</u>	<u>33,828</u>	<u>(62,039)</u>	<u>(95,867)</u>

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Other Financing Sources (Uses)				
Proceeds from Trade-In of Capital Assets	<u>7,025</u>	<u>7,180</u>	<u>7,180</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,025</u>	<u>7,180</u>	<u>7,180</u>	<u>-</u>
Excess of Resources and Other Sources Over (Under) Appropriations and Other Uses	<u>13,861</u>	<u>41,008</u>	<u>(54,859)</u>	<u>(95,867)</u>
Budgetary Fund Balance-June 30, 2008	<u>\$ 547,860</u>	<u>\$ 575,007</u>	<u>\$ 479,140</u>	<u>\$ (95,867)</u>

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - FIRE FUND
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ 85,408	\$ 85,408	\$ 85,408	\$ -
Resources (Inflows)				
Taxes and Penalties	95,331	95,331	100,522	5,191
Interest and Rents	-	-	3,830	3,830
Miscellaneous	<u>-</u>	<u>-</u>	<u>75</u>	<u>75</u>
Total Resources	<u>95,331</u>	<u>95,331</u>	<u>104,427</u>	<u>9,096</u>
Charges to Appropriations (Outflows)				
Public Safety				
Fire	<u>95,331</u>	<u>95,331</u>	<u>106,853</u>	<u>(11,522)</u>
Total Charges to Appropriations	<u>95,331</u>	<u>95,331</u>	<u>106,853</u>	<u>(11,522)</u>
Excess of Resources Over (Under) Appropriations	<u>-</u>	<u>-</u>	<u>(2,426)</u>	<u>(2,426)</u>
Budgetary Fund Balance-June 30, 2008	<u>\$ 85,408</u>	<u>\$ 85,408</u>	<u>\$ 82,982</u>	<u>\$ (2,426)</u>

CARLTON TOWNSHIP
BUDGETARY COMPARISON SCHEDULE - MIDDLE-LEACH LAKE SEWER FUND
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Beginning of Year Fund Balance	\$ (31,374)	\$ (31,374)	\$ (31,374)	\$ -
Resources (Inflows)				
State Grants	-	-	154,778	154,778
Interest and Rentals	-	-	1,285	1,285
Other Revenue	<u>-</u>	<u>-</u>	<u>201,110</u>	<u>201,110</u>
Total Resources	<u>-</u>	<u>-</u>	<u>357,173</u>	<u>357,173</u>
Charges to Appropriations (Outflows)				
Public Works				
Special Assessment	<u>-</u>	<u>-</u>	<u>195,422</u>	<u>(195,422)</u>
Total Charges to Appropriations	<u>-</u>	<u>-</u>	<u>195,422</u>	<u>(195,422)</u>
Excess of Resources Over (Under) Appropriations	<u>-</u>	<u>-</u>	<u>161,751</u>	<u>161,751</u>
Budgetary Fund Balance-June 30, 2008	<u>\$ (31,374)</u>	<u>\$ (31,374)</u>	<u>\$ 130,377</u>	<u>\$ 161,751</u>

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Revenues				
Taxes and Penalties:				
Property Taxes			\$ 55,920	
Delinquent Property Tax			6,341	
Collection Fees			20,612	
Trailer Park Fees			<u>186</u>	
Total Taxes and Penalties	\$ 80,186	\$ 80,186	<u>83,059</u>	\$ 2,873
Licenses and Permits:				
Cable TV Fees			<u>-</u>	
Total Licenses and Permits	500	500	<u>-</u>	(500)
State Grants:				
State Revenue Sharing			159,666	
Other			<u>3,685</u>	
Total State Grants	180,000	180,000	<u>163,351</u>	(16,649)
Charges for Services:				
Charges for Services			84	
Sale of Cemetery Lots			<u>2,750</u>	
Total Charges for Services	1,000	1,000	<u>2,834</u>	1,834
Contributions from Local Units	-	39,843	<u>-</u>	(39,843)
Interest and Rentals:				
Interest			<u>18,833</u>	
Total Interest and Rentals	5,000	5,000	<u>18,833</u>	13,833
Other Revenue:				
Special Assessment			23,517	
Miscellaneous			4,783	
Refunds and Rebates			<u>1,116</u>	
Total Other Revenue	<u>32,920</u>	<u>32,920</u>	<u>29,416</u>	<u>(3,504)</u>
Total Revenues	<u>299,606</u>	<u>339,449</u>	<u>297,493</u>	<u>(41,956)</u>

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures				
Legislative:				
Township Board:				
Per Diem and Fees			3,812	
Pension			836	
Professional Fees			40	
Dues and Training			460	
Miscellaneous			<u>174</u>	
Total Legislative	<u>7,393</u>	<u>6,552</u>	<u>5,322</u>	<u>1,230</u>
General Government:				
Supervisor:				
Salary			9,610	
Other Wages			280	
Pension			2,331	
Mileage			305	
Dues and Training			<u>694</u>	
Total Supervisor	13,880	14,080	<u>13,220</u>	860
Elections:				
Salaries			2,533	
Supplies			<u>903</u>	
Total Elections	5,200	5,200	<u>3,436</u>	1,764
Assessor:				
Contracted Services			<u>14,867</u>	
Total Assessor	14,392	14,827	<u>14,867</u>	(40)
Clerk:				
Salary			14,417	
Other Wages			3,602	
Pension			3,679	
Dues and Training			<u>274</u>	
Total Clerk	22,901	25,275	<u>21,972</u>	3,303

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures (Continued)				
General Government (Continued):				
Board of Review:				
Wages			750	
Miscellaneous			<u>140</u>	
Total Board of Review	1,100	1,100	<u>890</u>	210
Treasurer:				
Salary			17,919	
Other Wages			1,210	
Pension			4,468	
Dues and Training			<u>704</u>	
Total Treasurer	24,263	24,523	<u>24,301</u>	222
Township Hall:				
Utilities			3,690	
Repairs and Maintenance			1,189	
Janitorial Services			500	
Miscellaneous			<u>47</u>	
Total Township Hall	5,080	6,000	<u>5,426</u>	574
Cemetery:				
Salary			8,964	
Pension			2,235	
Supplies			685	
Repairs and Maintenance			1,073	
Miscellaneous			200	
Capital Outlay			<u>8,335</u>	
Total Cemetery	20,904	21,743	<u>21,492</u>	251

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Expenditures (Continued)				
Administration:				
Administration				
Postage			2,361	
Supplies			2,090	
Pension Administration			916	
Professional Fees			155	
Audit			5,420	
Computer Services			465	
Telephone			1,042	
Printing and Publishing			291	
Insurance and Bonds			1,510	
Repairs and Maintenance			523	
Miscellaneous			177	
Capital Outlay			4,904	
Total Administration	<u>21,275</u>	<u>28,419</u>	<u>19,854</u>	<u>8,565</u>
Total General Government	<u>128,995</u>	<u>141,167</u>	<u>125,458</u>	<u>15,709</u>
Public Works:				
Drains:				
Contracted Services			1,476	
Total Drains	-	-	<u>1,476</u>	(1,476)
Highways:				
Repairs and Maintenance			202,502	
Total Highways	124,682	124,682	<u>202,502</u>	(77,820)
Special Assessment:				
Contracted Services			18,039	
Total Special Assessment	<u>23,000</u>	<u>24,520</u>	<u>18,039</u>	<u>6,481</u>
Total Public Works	<u>147,682</u>	<u>149,202</u>	<u>222,017</u>	<u>(72,815)</u>

CARLTON TOWNSHIP
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND (Continued)
For the Year Ended June 30, 2008

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE WITH AMENDED BUDGET</u>
Recreational and Cultural:				
YMCA				
Contracted Services			-	
Total YMCA	<u>1,700</u>	<u>1,700</u>	<u>-</u>	<u>1,700</u>
Total Recrational and Cultural	<u>1,700</u>	<u>1,700</u>	<u>-</u>	<u>1,700</u>
Health and Welfare:				
Green Gables:				
Contracted Services			<u>2,000</u>	
Total Green Gables	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Total Health and Welfare	<u>2,000</u>	<u>2,000</u>	<u>2,000</u>	<u>-</u>
Other:				
FICA Contribution	<u>5,000</u>	<u>5,000</u>	<u>4,735</u>	<u>265</u>
Total Other	<u>5,000</u>	<u>5,000</u>	<u>4,735</u>	<u>265</u>
Total Expenditures	<u>291,070</u>	<u>303,921</u>	<u>359,532</u>	<u>(55,611)</u>
Excess of Revenues Over (Under) Expenditures	<u>6,836</u>	<u>33,828</u>	<u>(62,039)</u>	<u>(97,567)</u>
Other Financing Sources (Uses):				
Proceeds from Trade-In of Capital Assets	<u>7,025</u>	<u>7,180</u>	<u>7,180</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>7,025</u>	<u>7,180</u>	<u>7,180</u>	<u>-</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>13,861</u>	<u>41,008</u>	<u>(54,859)</u>	<u>(95,867)</u>
Fund Balance-July 1, 2007	<u>533,999</u>	<u>533,999</u>	<u>533,999</u>	<u>-</u>
Fund Balance-June 30, 2008	<u>\$ 547,860</u>	<u>\$ 575,007</u>	<u>\$ 479,140</u>	<u>\$ (95,867)</u>



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November 14, 2008

To the Township Board
Carlton Township
Barry County, Michigan

We have recently completed an audit of the financial statements of the Carlton Township, Barry County, Michigan for the year ended June 30, 2008. During the course of the audit the following items came to our attention, which require further comment.

Budgets Should Be Reviewed On A Periodic Basis

During the course of the audit, it was noted that the Township over expended in five areas during the fiscal year and did not adopt a budget for the Middle-Leach Lake Sewer Fund.

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit of government may not incur expenditures in excess of amounts appropriated. When it appears that more money will be spent than the amount originally appropriated, it is necessary to amend the budget. This can be done at any meeting prior to the fiscal year end and does not require a new public hearing. P.A. 621 of 1978, also, requires governmental units to prepare annual budgets containing an itemized statement for its proposed expenditures and estimated revenues, covering all its departments and activities for the general fund and all special revenue funds. The budget for revenue and expenditures should be a detailed estimate of all anticipated income and expenditures of the Township from major sources per the Uniform Chart of Accounts for Local Units of Government.

It is our recommendation a Middle-Leach Lake Sewer budget is adopted on an annual basis in accordance with the requirements of P.A. 621 of 1978. The Township should continue to monitor the budget for the General, Fire and Middle-Leach Lake sewer funds against expenditures and make amendments as necessary. In addition, consideration should be taken at year-end for typical audit adjustments.

Interest Income Record Keeping

During the course of the audit, it was noted that interest income on some certificates of deposit was not being recorded when the interest was earned.

According to generally accepted accounting principles, the general and special revenue funds of governmental units use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means, collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Since the interest earned on certificates is periodically credited to the account, the interest being credited meets the measurable and available test for revenue recognition and must be recorded by the Township.

It is recommended the Township record interest income from certificates of deposit when it is credited to the account. The treasurer should request quarterly print outs for each certificate of deposit from the corresponding bank. The amount of interest credited to the account since the prior inquiry should be receipted and given to the clerk for posting in the general ledger. This documentation should be kept to support the entries and filed in an organized manner that is easily accessible. In addition, the clerk should reconcile the bank balance to the adjusted general ledger balance. Any discrepancies should be investigated and corrected in a timely manner.

We would like to take this opportunity to thank the Township Supervisor, Clerk and Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Fluke & Sheldon, PLC



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To the Township Board
Carlton Township
Barry County, Michigan

In planning and performing our audit of the financial statements of the Carlton Township as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Carlton Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiencies constitute material weaknesses.

- The reconciled bank balances are not being balanced with the corresponding general ledger accounts on a monthly basis.
- The Township does not have the technical expertise to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, changes in capital assets, and to present required financial statement disclosures. Currently, the Township contracts with Walker, Fluke & Sheldon, PLC to prepare the financial statements and assist with accrual entries.

This communication is intended solely for the information and use of management, the board of trustees of Carlton Township and the State of Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

Hastings, MI
November 14, 2008

Walker, Fluke & Sheldon, PLC